

**BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2018-202-E**

In Re:

Duke Energy Carolinas, LLC and Duke Energy Progress, LLC)))))))	PETITION OF DUKE ENERGY CAROLINAS, LLC AND DUKE ENERGY PROGRESS, LLC TO EXTEND LIMITED WAIVERS OF GENERATOR INTERCONNECTION PROCEDURES AND PLANNED ISSUANCE OF CPRE TRANCHE 2 QUEUE NUMBER
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Pursuant to S.C. Code Reg. 103-825 of the Rules of Practice and Procedures of the Public Service Commission of South Carolina (“Commission”), Duke Energy Carolinas, LLC (“DEC”) and Duke Energy Progress, LLC (“DEP” and, together with DEC, the “Companies” or “Duke”) by and through counsel, hereby petition the Commission to extend the limited waivers of the South Carolina Generator Interconnection Procedures, Forms and Agreements (“SC GIP”)¹ and to allow the Companies to each issue a new “CPRE Queue Number” and to perform the “grouping study” for purposes of the upcoming Competitive Procurement of Renewable Energy (“CPRE”) Program “Tranche 2” request for proposal (“RFP”) solicitation.

The Commission’s December 19, 2018² *Amended Order Approving Tranche 1 and Granting Requested Waivers with Conditions* (“Order Granting Relief for CPRE Tranche 1” or “Order”) issued in the above-captioned docket, granted the Companies’ request to

¹ Terms not defined in this Petition shall have the meaning set forth in Attachment 1 – Glossary of Terms of the SC GIP. *See* Docket No. 2015-362-E.

² The Commission first issued an order, Order No. 2018-803, on December 12, 2018. However, due to a scrivener’s error in Order No. 2018-803, the Commission issued an amended order, Order No. 2018-803(A) on December 19, 2018.

establish a CPRE Queue Number and to waive certain sections of the SC GIP in order to facilitate the participation in CPRE Tranche 1 of utility-scale solar generating facilities in development in South Carolina (“SC Solar Generators”). The Commission’s *Order* granted the Companies the authority to deviate from the normal SC GIP serial study process and to enable the Companies and the CPRE Program Independent Administrator, Accion Group, LLC (“IA”) to implement a “grouping study” process to evaluate SC Solar Generators opting to bid into the CPRE Program on equal footing with solar projects located in North Carolina that also elected to bid into the CPRE Tranche 1 RFP (“NC Solar Generators”). As the Commission’s *Order* limited authorization of the requested SC GIP waivers and approvals to the CPRE Tranche 1 RFP, the Companies are now requesting Commission approval of the same limited waivers and proposal to issue a CPRE Queue Number to facilitate the same interconnection grouping study evaluation process for CPRE Tranche 2 RFP. Similar to the relief granted in the *Order Granting Relief for CPRE Tranche 1*, the relief requested herein will apply only to Interconnection Customers that voluntarily submit a proposal to participate in Tranche 2 of the CPRE Program.

In support of this Petition, the Companies show the Commission the following:

I. BACKGROUND

A. North Carolina Session Law 2017-192

1. North Carolina Session Law 2017-192 (“NC HB 589”) created the CPRE Program in July 2017, with the goal of promoting an efficient and sustainable approach for the Companies to cost-effectively procure and reliably integrate new renewable energy resources across the Companies’ service territories in both North Carolina and South

Carolina.³ The CPRE Program allows the Companies to identify the geographic locations that will permit the most cost-effective integration of new renewable energy resources, and to allocate the total procurement amount⁴ between DEC's and DEP's respective "balancing authority areas, whether located inside or outside the geographic boundaries of [North Carolina]"⁵ As contemplated by NC HB 589 and to further the Companies' goals of procuring the least-cost new renewable energy resources, regardless of geographic location, the Companies have designed the CPRE Program for SC Solar Generators to be eligible to bid into the RFPs.

2. New renewable generation competitively procured through the CPRE Program must be priced at or below the utility's 20-year avoided cost, calculated as of the time the CPRE RFP is issued.⁶ This ensures the assets procured are cost effective for customers.

3. The Companies' implementation of the CPRE Program is subject to the North Carolina Utilities Commission's ("NCUC") ongoing oversight and jurisdiction, as NC HB 589 expressly required the NCUC to adopt rules to implement the requirements of the CPRE Program.⁷ As directed by NC HB 589, the NCUC has adopted extensive regulations⁸ governing each aspect of ongoing CPRE Program implementation, including

³ See N.C. Gen. Stat. § 62-110.8(a).

⁴ The CPRE total procurement amount is an aggregate 2,660 MW that would be adjusted if solar and other renewable generators within the DEC and DEP balancing authority areas that are not subject to economic dispatch or curtailment exceed 3,500 MW prior to the end of the initial 45-month competitive procurement period. See N.C. Gen. Stat. § 62-110.8(b)(1).

⁵ N.C. Gen. Stat. § 62-110.8(c) ("[s]ubject to the aggregate competitive procurement requirements established by this section, the electric public utilities shall have the authority to determine the location and allocated amount of the competitive procurement within their respective balancing authority areas, whether located inside or outside the geographic boundaries of [North Carolina]...").

⁶ N.C. Gen. Stat. § 62-110.8(a); NCUC Rule R8-71(b)(2) (defining avoided cost for the CPRE Program).

⁷ N.C. Gen. Stat. § 62-110.8(h).

⁸ See *Order Adopting and Amending Rules*, Docket No. E-100, Sub 150 (Nov. 6, 2017); *Order Amending Commission Rule R8-71*, Docket No. E-100 Sub 150 (April 9, 2018).

(i) planning for and reporting on each CPRE Program RFP⁹; (ii) administration and oversight of each CPRE RFP through the NCUC-selected IA¹⁰; (iii) regulation of communications between the Companies, market participants, and Duke affiliates to ensure fairness in the RFP evaluation process¹¹; (iv) establishing a detailed multi-step RFP solicitation structure and evaluation process¹²; and (v) prescribing specific purchased power agreement-related requirements to comply with NC HB 589. These regulations establish the framework for implementing the CPRE Program.

4. The Companies are implementing the CPRE Program in compliance with the NCUC's regulations. Pursuant to the NCUC's regulations, DEC and DEP must submit each CPRE RFP to the IA for pre-issuance evaluation and to provide an opportunity for market participant review and comment prior to issuance of the RFP.¹³ However, the Companies are not required to submit each new CPRE Program RFP to the NCUC for review and approval prior to issuance, as the NCUC supervises the CPRE Program implementation through the IA and the annual reports required by the NCUC's regulations.¹⁴

B. Commission's Order Granting SC GIP Waivers for Tranche 1

5. On June 19, 2018, the Companies filed with the Commission a Petition for waiver of certain provisions of the SC GIP in order to allow SC Solar Generators to compete in the CPRE Program on equal footing with market participants developing

⁹ NCUC Rule R8-71(g), (h).

¹⁰ NCUC Rule R8-71(d); *Order Approving the Independent Administrator of the CPRE Program*, NCUC Docket No. E-100, Sub 151 (Jan. 9, 2018).

¹¹ NCUC Rule R8-71(e).

¹² NCUC Rule R8-71(f).

¹³ NCUC Rule R8-71(f)(1)(ii).

¹⁴ While the CPRE RFP itself is not subject to NCUC review and approval, the form of purchased power agreement ("PPA") is required to be filed with the NCUC for approval at least 30 days prior to issuance of the RFP. *See* N.C. Gen. Stat. § 62-110.8(b)(3); NCUC Rule R8-71(f)(1)(iii).

renewable energy projects in North Carolina. The Petition explained that the serial study process prescribed by the SC GIP—which provides for the assignment of priority rights to available transmission and distribution capacity on a first-come, first-served basis—does not contemplate a scenario like the CPRE competitive solicitation process, which assigns priority rights to available transmission and distribution capacity to the most cost-effective and reliable projects that bid into the RFP, taking into consideration the transmission capacity already assigned to non-bidding Interconnection Requests. Applying the SC GIP serial study process to SC Solar Generators electing to participate in CPRE would not allow DEC and DEP to efficiently identify the most cost-effective portfolio of resources that are bid into the CPRE Program within the DEC and DEP service territories across each balancing authority area. Therefore, the Companies requested to adjust the serial study process under the SC GIP to align with the North Carolina-authorized “system impact grouping study” process¹⁵ for the limited purpose of accommodating a more coordinated and efficient evaluation of system Upgrades for all NC Solar Generator and SC Solar Generator project proposals that voluntarily bid into the CPRE Program.

6. On December 19, 2018, the Commission issued its *Order Granting Relief for CPRE Tranche 1*, granting the Companies’ request to establish a CPRE Queue Number, and waiver of SC GIP Sections 1.6, 3, 4.2, 4.3, and the Forms and Agreements of the System Impact Study Agreement to the extent necessary to allow SC Solar Generators to be evaluated in the interconnection grouping study for CPRE Tranche 1. The Commission

¹⁵ See *Order Approving Interim Modifications to North Carolina Interconnection Procedures for Tranche 1 of CPRE RFP*, NCUC Docket Nos. E-100, Sub 101, E-2 Sub 1159, E-7, Sub 1156 (Oct. 5, 2018) (authorizing system impact grouping study process to be used for CPRE Tranche 1). These “interim modifications” to the NC Interconnection Procedures authorizing the system impact grouping study were approved as final by order issued June 14, 2019. See *Order Approving Revised Interconnection Standard and Requiring Reports and Testimony*, Docket No. E-100, Sub 101 (June 14, 2019).

limited its approval of the SC GIP waivers and the CPRE Queue Number to CPRE Tranche 1. The Commission's *Order* additionally required the Companies to report on the status of their interconnection queues within thirty (30) days of the date of the *Order*, and to comply with other reporting and monitoring activities specific to the CPRE Program.

7. Additionally, the Commission denied the Companies' request for a prospective Commission determination related to the Companies' ability to seek future cost recovery of CPRE Program-related Upgrade costs. In doing so, the Commission recognized the NCUC's ongoing consideration of how Upgrade costs would be treated in future CPRE Program tranches and the potential for revisions to the NCUC's CPRE rules and Program implementation after gaining experience through Tranche 1.¹⁶ The Commission stated its intent to consider potential options for CPRE-related Upgrades in future tranches of the CPRE RFP.¹⁷

8. The Commission's *Order* also recognized that Tranche 1 interconnection customers that voluntarily agree to participate in the CPRE Program will be subject to the rules, regulations and fees of the NCUC related to the administration of the CPRE Program, but stated that, Tranche 2 will not be approved without a proceeding before the Commission that defines the program and results in a framework for administering CPRE in South Carolina.¹⁸

¹⁶ *Order*, at 14.

¹⁷ *Order*, at 12.

¹⁸ *Order*, at 14.

C. Successful Implementation of Tranche 1

9. CPRE Tranche 1 commenced in July 2018 and sought up to 600 MW of new qualifying renewable resources for DEC and 80 MW for DEP from market participants that voluntarily elected to bid proposals into the Tranche 1 RFP.

10. Tranche 1 proposals were received through October 9, 2018, when the proposal submission period closed and the Step 1 evaluation process began. In total, approximately 2,700 MW of proposals were bid into the DEC RFP and 1,200 MW of proposals were bid into the DEP RFP. Specific to South Carolina, 25 proposals totaling 1,317 MW were offered by SC Solar Generators in DEC, while 11 Proposals totaling 614 MW were offered by SC Solar Generators in DEP.

11. The IA managed the evaluation of all proposals through the Step 1 and Step 2 evaluation process pursuant to the NCUC's regulations governing CPRE Program proposal evaluation.¹⁹ During Step 1 of the evaluation process, the IA independently evaluated and ranked bids based on price and other system-benefiting factors, creating the "Competitive Tier" of projects. The ranked list of projects in the Competitive Tier was then delivered to Duke's T&D (transmission and distribution) Sub-Team of the Evaluation Team to complete the Step 2 interconnection grouping study evaluation of Upgrades under the IA's oversight. During Step 2, Duke's T&D Sub-Team began with a system baseline model and added Competitive Tier projects to the model, starting with the projects most highly ranked by the IA, until the procurement amount was reached. The T&D Sub-Team then identified whether the system impacts of those highly ranked projects required system Upgrades to safely and reliably connect to the Companies' systems. Based upon the Duke

¹⁹ NCUC R8-71(f)(3).

T&D Sub-Team's system impact results, the IA assigned the Upgrade costs to the responsible proposals.²⁰ If the project cost and assigned Upgrades exceeded the avoided cost, the project would be rejected. If the total number of megawatts of cost effective proposals exceeded the solicited capacity, the IA would then re-rank the proposals, as needed, to select the most all-in cost effective resources to meet DEC's and DEP's solicited capacity. Once this second step was complete, the IA selected and notified winning proposals, and the Companies began executing PPAs with the winning third-party proposals.

12. Through the Tranche 1 RFP, Duke has now selected thirteen winning proposals totaling 465 MW in DEC's territory and 86 MW in DEP's territory. Of the 13 winning proposals, three were submitted by SC Solar Generators. As highlighted in the IA's Final Report, the CPRE Program produced significant customer savings totaling \$261 million below the Companies' forecasted avoided costs over the 20-year CPRE PPA term.

13. The Companies have attached the IA's Interim and Final Reports on the Tranche 1 RFP as Exhibit 1 and Exhibit 2 to this Petition for the Commission's information and review.²¹

D. Planned Schedule for Tranche 2

14. Now that the contracting phase of the CPRE Tranche 1 RFP has concluded, the Companies are proceeding with the pre-issuance process required by the NCUC's regulations to commence the CPRE Tranche 2 RFP. The Companies have developed a

²⁰ In order to evaluate the all-in cost of each project including upgrades, the IA calculated a levelized amount for each of the 20 years of the PPA that would be the economic equivalent of the utility's base rate revenue requirement from its funding of such upgrades. The annual amount was then converted into \$/megawatt hour and added to the PPA bid price, and then compared to the avoided cost cap expressed in \$/megawatt hour.

²¹ These IA Reports on the Tranche 1 RFP were also previously filed with the Commission on July 26, 2019.

draft CPRE Tranche 2 RFP, which was recently submitted to the IA for review on August 15, 2019, and the IA is now accepting comments on the RFP by registered market participants. The Companies have also attached the draft Tranche 2 RFP as Exhibit 3 to this Petition. The Tranche 2 RFP is substantially similar to the Tranche 1 RFP, but includes a number of process improvements and clarifications driven by the lessons learned in Tranche 1. Consistent with the CPRE Tranche 1 RFP, the current CPRE Tranche 2 RFP allows for both SC Solar Generators and NC Solar Generators to participate.

15. Consistent with the NCUC's regulations and the previously-completed Tranche 1 pre-solicitation process, market participants in both South Carolina and North Carolina will be afforded an opportunity to provide feedback on the draft RFP documents and form of CPRE PPA, which the Companies plan to issue on October 15, 2019. Market participants will then be allowed 60 days to submit proposals,²² at which time the RFP window will close and the IA will initiate the Step 1 and Step 2 evaluation process. The planned schedule for completing the CPRE Tranche 2 RFP is as follows:²³

Milestone	Date
August Stakeholder Meeting	08/07/2019
Draft RFP documents posted to IA Website	08/15/2019
Bidder Conference and September Stakeholder Meeting	09/12/2019
Comment period on draft RFP documents closes	08/30/2019
PPA filed with NCUC	09/15/2019
IA report re: RFP documents	09/25/2019
October Stakeholder Meeting	10/10/2019
Final RFP documents posted to IA website and RFP Opens	10/15/2019*
November Stakeholder Meeting	11/13/2019
December Stakeholder Meeting	12/12/2019
Deadline for submission of Proposals	12/15/2019*
Projected Conclusion of Step 1 of the Evaluation Process	03/01/2020

²² The date for closure of the RFP bid window is subject to adjustment by the NCUC.

²³ See Exhibit 3, at 5.

Projected Conclusion of Step 2 and winning bids notified	06/30/2020
Projected Conclusion of Contracting period	08/28/2020

*These dates are preliminary and subject to change. Any change would be announced to all market participants by the IA and posted to the IA's website.

16. As required by the NCUC's regulations, the CPRE Tranche 2 evaluation process will follow the same evaluation process and system impact grouping study process as in Tranche 1. After Step 2, if the IA determines that the SC Solar Generator(s)' proposal offers the most competitively-priced renewable energy resource options, that project will be selected to enter into 20-year competitively priced PPAs with DEC or DEP.²⁴

II. REQUEST FOR APPROVAL OF CPRE QUEUE NUMBER AND LIMITED WAIVERS OF SC GIP FOR SC SOLAR GENERATORS IN CPRE TRANCHE 2 RFP

17. Consistent with the relief requested in the Companies' Initial Petition, the relief requested herein is needed because the current SC GIP does not contemplate a scenario like the CPRE competitive solicitation process in which multiple Interconnection Requests are evaluated at one time to identify required Upgrades, taking into account the capacity attributed to all earlier-queued Interconnection Requests that choose not to bid into the RFP. Given the success of CPRE Tranche 1 in procuring new cost-effective renewable energy and the anticipated participation of SC Solar Generators in CPRE Tranche 2, Duke is extending its requests for authorization to establish CPRE Queue Numbers and SC GIP waivers for CPRE Tranche 2.

²⁴ Winning "asset acquisition" proposals that will become DEC's or DEP's fleet assets would not execute a PPA.

A. Authorization of CPRE Queue Number for Tranche 2

18. To implement CPRE Tranche 2 in a manner that allows SC Solar Generators to be evaluated on the same basis as NC Solar Generators, the Companies request Commission approval for DEC and DEP to establish respective CPRE Queue Numbers for CPRE Tranche 2 in the same manner that the CPRE Queue Numbers were established for CPRE Tranche 1. Identical to Tranche 1, the Tranche 2 Queue Numbers will serve as a Queue Position placeholder for all SC and NC Interconnection Customers that elect to participate in the RFP, while DEC or DEP, as applicable, performs grouping studies of those CPRE bids to more efficiently evaluate the Transmission System Upgrades of proposals determined to be most cost competitive, without impeding non-participating Interconnection Customers' Queue Position rights.

19. Once the IA completes the evaluation process and selects winning bids, SC Solar Generators identified as winning bidders would complete the normal SC GIP System Impact Study process (as needed) and then proceed to Section 4.4 Facilities Study followed by delivery of an Interconnection Agreement under Section 5.2. Interconnection Customers who participate in the CPRE RFP but are not selected will return to the serial interconnection study process under the SC GIP with Queue Position priority subordinate to the winning projects selected through the CPRE RFP.²⁵

²⁵ For the avoidance of doubt, the Queue Position priority of Interconnection Customers that bid into a CPRE RFP solicitation and are not selected by the IA shall be deemed subordinate to the designated CPRE Queue Number as well as all Interconnection Customers that do not bid into the CPRE solicitation that were queued ahead of the CPRE Queue Number. Interconnection Customers that are not selected in CPRE shall maintain their original Queue Position priority for purposes of determining cost responsibility for Upgrades in relation to (i) other Interconnection Customers that elected to participate in the CPRE RFP and were not selected; and (ii) projects that were assigned a Queue Number after the date on which the CPRE Queue Number was designated by the Utility to administer the system impact grouping study.

20. Non-participating Interconnection Customers' projects and their respective Queue Positions will not be impacted by this CPRE Queue Number proposal, including the Step 2 grouping study evaluation process. Any Interconnection Customer that does not voluntarily opt to bid into the CPRE Tranche 2 RFP will maintain its Queue Position and priority for purposes of interconnection study and assignment of Upgrades based upon their preexisting Queue Number. Nonparticipants with a Queue Number ahead of a CPRE Queue Number would proceed with System Impact Study and assignment of cost responsibly for Upgrades under SC GIP Section 1.7 ahead of the Queue Position associated with the CPRE Queue Number.

B. Request for Limited Waiver of SC GIP to Effectuate CPRE Tranche 2 Queue Number Proposal

21. In order to effectuate the CPRE Queue Number and system impact grouping study approach, the Companies also request the Commission extend the same waivers of the SC GIP provision requested in the Companies' Initial Petition for CPRE Tranche 1.

22. Sections 1.3.2 and 1.6 of the SC GIP provide that an Interconnection Customer's Queue Position and Queue Number are based on the original date- and time-stamp of an Interconnection Request Application Form. Because the applicable DEC or DEP CPRE Queue Number will serve as a singular placeholder Queue Position for Interconnection Customers that elect to participate in the CPRE RFPs, and Queue Position and Queue Number for CPRE RFP participants will not depend on the date- and time-stamp of the Interconnection Request, the Companies request waiver of these sections for those Interconnection Customers that elect to participate in CPRE Tranche 2.

23. The Companies also request waiver of the Fast Track study process provided in Section 3 of the SC GIP for purposes of Interconnection Customers that choose

to bid into the CPRE RFPs. While it is unlikely that Interconnection Requests that qualify for the Fast Track review process under Section 3 would participate in the CPRE RFPs, the Companies request waiver of this section out of an abundance of caution.

24. Waiver is also requested of the Scoping Meeting requirement contained in Section 4.2, as Interconnection Customers that participate in the Tranche 2 CPRE RFP may proceed directly to the CPRE system impact grouping study evaluation. If an Interconnection Customer is not selected through the CPRE RFP solicitation process, the Companies agree to hold a scoping meeting upon the Interconnection Customer electing to return to the serial interconnection study process.

25. Finally, because the timing of the System Impact Study process for Interconnection Customers that participate in the Tranche 2 CPRE RFP will proceed according to the CPRE RFP requirements, waiver is also requested of the portions of Section 4.3 and the System Impact Study Agreement that relate to the timing of the System Impact Study process to the extent necessary to allow the Companies to effectuate the grouping study process described herein. Upon conclusion of the system impact grouping study for each CPRE RFP, successful bidders who proceed to Section 4.4 Facilities Study will then execute a Facilities Study Agreement in accordance with the SC GIP.

26. To properly and fairly implement Tranche 2 of the CPRE Program, the Companies respectfully request limited waiver from the SC GIP Sections 1.3.2, 1.6, 3, 4.2, and 4.3, and the System Impact Study Agreement as applicable to those Interconnection Customers that elect to participate in the CPRE Tranche 2 RFP and only to the extent necessary to implement the CPRE-related proposal discussed herein.

III. REQUEST FOR RENEWED COMMISSION CONSIDERATION OF GRID UPGRADE COST RECOVERY FOR WINNING CPRE TRANCHE 2 PROPOSALS

27. In Reply Comments filed by the Companies on October 12, 2018, in this docket, the Companies discussed the Tranche 1 RFP's approach to excluding grid Upgrade costs from the cost of proposals submitted by market participants into the Tranche 1 RFP, as well as the Companies' planned approach to funding system Upgrades for winning CPRE proposals to be recovered by the Companies through base rates in a future general rate case rather than through the PPA price, passed onto customers through fuel rates.²⁶ The Commission's *Order Granting Relief for CPRE Tranche 1* declined to consider the Companies' right to seek recovery of such Upgrade costs for Tranche 1. The *Order* also stated that the Commission would consider the following options prior to evaluating the Companies' right to seek cost recovery for such Upgrade costs for future tranches: (1) changing the CPRE participation approval in South Carolina to remove the ability of Duke to recover grid upgrade costs in base rates; (2) changing the CPRE program plan to require the initial bids to contain all of the Interconnection Customers costs; (3) revising the CPRE process to allow competitive bidders to refresh their bids based on the assessment of grid upgrades identified in Step Two of the CPRE RFP bid evaluation process; and (4) exploring options for Duke to more specifically direct generators to locations on the system that will not involve major network upgrades.²⁷ These specific considerations were also initially raised by the NCUC in its Order authorizing the system

²⁶ Reply Comments of Duke Energy Carolinas, LLC and Duke Energy Progress, LLC, at 12-16 (filed Oct. 12, 2018).

²⁷ *Order Granting Relief for CPRE Tranche 1*, at 14.

impact grouping study for Tranche 1 of the CPRE Program.²⁸ The NCUC's Order addressing the Companies' ability to seek future cost recovery of such Upgrades similarly expressed interest in further considering the CPRE framework and the assignment and recovery of grid Upgrades, as approved for Tranche 1, and directed the Companies and other interested parties to provide comments on the same four issues as outlined above from the Commission's *Order Granting Relief for CPRE Tranche 1*.²⁹

28. Since the Commission issued its *Order*, Duke and the IA have held multiple stakeholder meetings with North Carolina and South Carolina market participants to discuss the CPRE Program design issues relating to recovery of system Upgrade costs, as well as other issues related to the general implementation of the CPRE Program for future tranches. As a result of these stakeholder meetings, consensus was reached amongst interested parties concerning the four issues identified in the Commission's *Order Granting Relief for CPRE Tranche 1* for consideration, as detailed in the IA's summary of stakeholder discussions ("Stakeholder Report"), which the IA filed with the NCUC on March 15, 2019, which the Companies are filing as Exhibit 4 to this Petition.³⁰

29. As further described in the IA's Report, stakeholders supported Duke recovering system Upgrade costs imputed to winning proposals in base rates, finding it impossible for the market participant-bidders to include the cost of system Upgrades in proposal pricing due to those costs being unknown at the time of bid submissions.³¹ The stakeholders also agreed that market participants should continue to pay for direct

²⁸ *Order Approving Interim Modifications to North Carolina Interconnection Procedures for Tranche 1 of CPRE RFP*, at 12-13 NCUC Docket No. E-100, Sub 101 (Oct. 5, 2018).

²⁹ *Order Approving Interim Modifications to North Carolina Interconnection Procedures for Tranche 1 of CPRE RFP*, NCUC Docket No. E-100, Sub 101 (Oct. 5, 2018).

³⁰ IA Stakeholders' Meeting Report, NCUC Docket Nos. E-2, Sub 1159 and E-7, Sub 1156, at 4-5 (Mar. 15, 2019).

³¹ *Id.*

Interconnection Facilities costs, but should not be required to directly fund system Upgrades costs.

30. The stakeholders also agreed that attempting to adjust the proposal price after bids were received could introduce unnecessary complexity into the CPRE process and invite “gaming” by market participants who chose to include artificially low pricing in their initial bid submissions only to be allowed to “refresh” the bids later in the evaluation process.³² As background, when the Companies were initially developing the CPRE RFP evaluation process in conjunction with the IA, consideration was given to alternative methods for paying for system Upgrade costs. One option was to perform the grouping study evaluation and then inform each project of its system Upgrade cost, if any. Then the project would have 30 days to resubmit a new bid which would almost certainly be higher than the prior bid, in order for the bidder to be able to cover the increased cost and risk of the project due to the requirement to fund the system Upgrades. This approach would result in higher PPA costs for customers. During the recent stakeholder process, the Companies and the IA agreed that such an approach would be inefficient and would not result in any net cost savings for customers, compared to the Companies’ funding the system Upgrades. Lastly, the stakeholders agreed that Duke should provide updated grid locational guidance including maps and details on constrained lines and substations after the conclusion of Tranche 1, and that Tranche 2 should not restrict proposal to areas outside of those areas identified as having constraints.³³

31. Subsequent to the IA stakeholder meetings, the NCUC additionally held a formal technical conference to further consider a number of issues related to CPRE

³² Exhibit 4, at 4.

³³ Exhibit 4, at 6.

Program design, including requesting additional information on how to structure CPRE bids, including potentially providing for a bid refresh procedure.³⁴

32. Following this technical conference, the NCUC issued its *Order Modifying and Accepting CPRE Program Plan*, concluding that “reasonable progress is being made toward achieving the goals of the CPRE Program and that the CPRE Program Plan is a reasonable plan for achieving those goals in the future.”³⁵ As to the CPRE Program design and implementation issues identified for consideration by the NCUC, the NCUC confirmed that “the general structure of the CPRE Program used in the Tranche 1 CPRE RFP Solicitation was appropriate” and further determined that the Companies do not need to modify the Commission’s CPRE regulations to include a bid refresh process to cover system Upgrades.³⁶ The NCUC further determined that it is “appropriate” to continue the Tranche 1 RFP structure in the upcoming Tranche 2 RFP solicitation.³⁷ In addition, the NCUC’s order accepted continuation of the Tranche 1 approach to excluding grid Upgrades from CPRE proposals and to not require system Upgrades to be paid directly by CPRE market participants.³⁸ While the NCUC determined that it was appropriate for the Companies to continue to recover reasonable and prudently-incurred Upgrade costs through future adjustments to base rates, the NCUC also recognized the potential for actual CPRE grid Upgrade costs to unreasonably exceed the estimated grid Upgrades costs utilized to evaluate cost-effectiveness of the bid proposals during the RFP.³⁹ In response

³⁴ See *Order Postponing Tranche 2 CPRE RFP Solicitation and Scheduling Technical Conference*, Docket Nos. E-22, Sub 1159 and E-7, Sub 1156 (May 1, 2019). Transcripts detailing the NCUC’s Technical Conference are available in Docket Nos. E-22, Sub 1159 and E-7, Sub 1156.

³⁵ *Order Modifying and Accepting CPRE Program Plan*, at 17-18, NCUC Docket Nos. E-2, Sub 1159 and E-7, Sub 1156 (July 2, 2019).

³⁶ *Id.* at 17.

³⁷ *Id.*

³⁸ *Id.*

³⁹ *Id.* at 18.

to a recommendation by the North Carolina Public Staff, the NCUC also held that the Companies' recovery of actual CPRE grid Upgrade costs is appropriate only to the extent that actual Upgrade costs reasonably reflect the Upgrade costs relied upon in the CPRE evaluation process, finding that costs in excess of 25% of the Companies' estimated costs of CPRE grid Upgrades determined in the RFP evaluation process are presumed unreasonably incurred and not recoverable.⁴⁰ However, the NCUC clarified that in a general rate case where DEC or DEP seek to recover grid Upgrades costs associated with the CPRE Program, the utility may rebut the presumption by competent, material, and substantial evidence.⁴¹

33. Consistent with the general consensus of the Companies, the IA, market participant stakeholders, as well as the Companies' experience implementing CPRE Tranche 1, the NCUC's *Order Modifying and Accepting CPRE Program Plan* directed that it would be appropriate for the Companies to implement the same CPRE Tranche 1 bidding structure and evaluation process for CPRE Tranche 2. Accordingly, the proposal structure (i.e., including project costs and Interconnection Facilities in RFP bids, but excluding Upgrades) and the Step 1 and Step 2 grouping study evaluation process used in Tranche 1 is being followed for Tranche 2, including the Companies' planned approach to recover Upgrade costs of CPRE projects through base rates in the future. Recognizing that the NCUC-authorized process used to ensure that system Upgrade costs are properly accounted for in the bid evaluation process and to only contract with cost effective projects, the Companies renew their request for a Commission determination that the Companies may petition the Commission for recovery of such costs through adjustments to base rates in

⁴⁰ *Id.*

⁴¹ *Id.*

future general rate case proceedings, and further submit that a 25% cap as found appropriate by the NCUC for recovery of actual CPRE grid Upgrades costs as compared to estimated CPRE grid Upgrades costs is reasonable.

IV. COMPLIANCE WITH OTHER COMMISSION DIRECTIVES

34. In addition to addressing issues related to cost recovery, the *Order Granting Relief for CPRE Tranche 1* also addressed intervenors' concerns regarding potential impacts to the generator interconnection process for SC Solar Generators electing not to participate in CPRE Tranche 1 and imposed certain other reporting and compliance requirements as set forth in the *Order*.⁴²

35. As required by the *Order*, the Companies have taken reasonable measures to ensure non-bidding Interconnection Customers are not negatively impacted by the requested waivers or by the Companies' administration of the CPRE Program.⁴³ The Companies' interconnection teams have continued to work in good faith to process and study all non-participating Interconnection Customers according to the timelines required by the SC GIP and to ensure that these non-participating Interconnection Customers are not delayed or disadvantaged by the concurrent processing of Interconnection Requests in the CPRE Program.⁴⁴ Since the CPRE Tranche 1 evaluation process began in October 2018, the Companies have issued 90 System Impact Study ("SIS") reports for SC Solar Generators proposing to interconnect to the Companies' distribution systems. In the same period, the Companies completed five distribution Facilities Studies and 37 distribution-connected solar projects in South Carolina became operational. Since October 2018, the

⁴² *Order*, at 14-17.

⁴³ *Order*, at 15.

⁴⁴ *Id.*

Companies also completed seven System Impact Studies and two Facilities Studies for Transmission projects in South Carolina, while many South Carolina transmission-level non-CPRE projects remain on hold due to interdependency. As recognized in the Companies' January 11, 2019 Generator Interconnection Queue Report to the Commission, the recent significant growth in utility-scale solar Interconnection Requests, the Companies' study policies to accommodate Interconnection Customers, as well as growing transmission system constraints and the need for costly Network Upgrades to support the interconnection of additional utility-scale generation have all coalesced to challenge the efficient processing of generator Interconnection Requests, especially in constrained areas of the grid.⁴⁵

36. The Companies have also filed all reports required by the *Order*, including the Generator Interconnection Report, discussed above, the quarterly interconnection queue status reports, as well as recently filed the Tranche 1 Reports required by the NCUC. These reports were filed in this Docket on January 11, 2019; April 30, 2019; June 3, 2019; June 6, 2019; and July 26, 2019, respectively.

37. The Companies further recognize that the Commission retains jurisdiction over the interconnection of all South Carolina CPRE projects, as identified in the *Order*, and any potential interconnection-related disputes that might arise from South Carolina Interconnection Customers participating in the CPRE Program.⁴⁶ Upon information and belief, no informal interconnection disputes were brought to the IA or to ORS relating to implementation of the CPRE Program nor were any formal interconnection-related complaints filed with the Commission during the Tranche 1 RFP.

⁴⁵ Generator Interconnection Queue Report, at 4-13 Docket No. 2018-202-E (filed January 11, 2019).

⁴⁶ *Order*, at 14.

38. For purposes of implementing Tranche 2, the *Order* also directed the Companies to define: 1) who participates in a group study and how they apply for the process; 2) timelines for each step of the process; 3) how groups would be formed, and how the studies will be conducted to evaluate the impacts associated with interconnecting the group; 4) what happens if projects drop out of the study group (*i.e.*, are restudies required and if so, when and how are they conducted); and 5) how costs will be allocated between projects in a group.⁴⁷

39. Consistent with the Companies' implementation of CPRE Tranche 1, the Companies plan to group for interconnection study all Interconnection Customers that elect to bid proposals into the DEC and DEP Tranche 2 RFP solicitations based upon the Queue Position priority of the CPRE Queue Numbers, as discussed in Section II.A of this Petition. To effectuate these grouping studies within the SC GIP Section 4.3 System Impact Study process, DEC and DEP will each use its respective Tranche 2 CPRE Queue Number as a "processing agent" for each Interconnection Customer that elects to bid into DEC's or DEP's RFP solicitation with each project having equal Queue Position priority within the group study Queue Number. The timeline for completion will be based upon the timeline for commencing and completing the Step 2 evaluation process. Pursuant to the draft Tranche 2 RFP schedule, the grouping study is anticipated to be completed during March through June of 2020.⁴⁸ Projects bidding into the CPRE Program are committing to build their project, if selected through the RFP, and, therefore, are not anticipated to "drop out" as can occur through a voluntary cluster study process. Market participant proposal

⁴⁷ *Order*, at p. 16.

⁴⁸ See Exhibit 4, at 5 (addressing the planned Tranche 2 RFP milestone schedule for completing evaluation process).

sponsors that are part of the Competitive Tier and evaluated through the grouping study and Step 2 evaluation are also required to provide proposal security in the amount of \$20/kW, which would be forfeited if the bidder elects to drop out during the Step 2 evaluation process.⁴⁹ In the event that a project withdraws during the Step 2 evaluation, the remaining projects in the grouping study would be re-studied, if needed, to ensure that the withdrawn project does not impact the results. Finally, the costs of Upgrades identified through the grouping study will be imputed into the bid price of the individual project requiring the system Upgrade or imputed on a pro rata basis to all projects that contributed to the need for the system Upgrade.

40. The Companies also recognize the Commission's directive in the *Order* that "Tranche 2 will not be approved without a proceeding before the Commission that defines the program and results in a framework for administering CPRE in South Carolina."⁵⁰ Through this Petition, the Companies have provided significant detail regarding the CPRE Program, as determined by NC HB 589 and the NCUC's regulations, as well as the NCUC's administration of the CPRE Program and this Commission's administration of the interconnection process that applies to SC Solar Generators that voluntarily bid into the CPRE Program. In order to provide the Commission with the full details of the upcoming Tranche 2 RFP, as they exist today, the Companies are filing the draft Tranche 2 RFP solicitation document as Exhibit 3, as discussed above.

⁴⁹ See Exhibit 4, at 8 (addressing Step 2 proposal security requirements).

⁵⁰ *Order*, at 15.

V. CONCLUSION

WHEREFORE, based on the foregoing, and to allow SC Solar Generators opting to bid into the CPRE Program to be evaluated in the CPRE grouping study on an equal footing with NC Solar Generators, and Duke Energy Carolinas, LLC, and Duke Energy Progress, LLC respectfully request that the Commission, pursuant to this Petition:

- (1) Approve the Companies' proposal to use CPRE Queue Numbers to process Interconnection Requests of SC Solar Generators that elect to participate in the CPRE Tranche 2 RFP as discussed herein;
- (2) Grant the Companies limited waiver from Sections 1.6, 3, 4.2, and 4.3 of the South Carolina Generator Interconnection Procedures, Forms and Agreements and of the System Impact Study Agreement for purposes of implementing Tranche 2, as discussed herein;
- (3) Grant the Companies' request for authorization to petition the Commission for recovery of CPRE Upgrade costs through adjustments to base rates in future general rate case proceedings; and
- (4) Grant any other relief that the Commission deems appropriate.

[Signature on Following Page]

Respectfully submitted, this 30th day of August, 2019.



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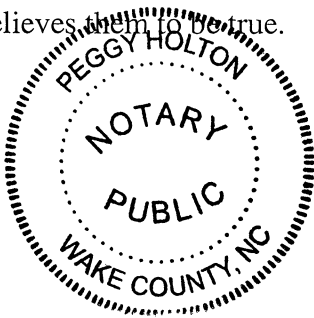
*Counsel for Duke Energy Carolinas, LLC and Duke
Energy Progress, LLC*

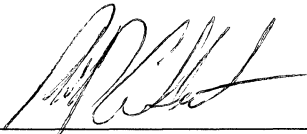
STATE OF NORTH CAROLINA)
)
COUNTY OF MECKLENBURG)

VERIFICATION

PHILLIP CATHCART, being first duly sworn, deposes and says:

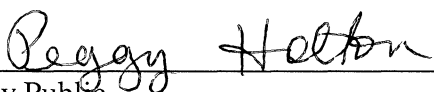
That he is Renewable Compliance Manager at Duke Energy Corporation; that he has read the foregoing Petition of Duke Energy Carolinas, LLC and Duke Energy Progress, LLC to Extend Limited Waivers of Generator Interconnection Procedures and Planned Issuance of CPRE Tranche 2 Queue Number and knows the contents thereof; that the same is true of his own knowledge, that the same is true as to matters stated therein on information and belief; and as to those matters, he believes them to be true.





Phillip Cathcart

Sworn to and subscribed before me
this the 30th day of August 2019.



Notary Public

My Commission Expires: 12/22/2021